

Samsung SDS 4Q 2018 Earnings Release

2019. 1. 24



Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS.

This document is provided for the convenience of investors only, before the external audit on our 4Q18 financial results is completed. The audit outcomes may cause some parts of this document to change.

This document may contain “forward-looking statements” – that is, statements related to future, not past, events. In this context, “forward-looking statements” often address our expected future business and financial performance, and often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks” or “will”.

“Forward-looking statements” by their nature address matters that are, to different degrees, uncertain.

For us, particular uncertainties which could adversely or positively affect our future results include:

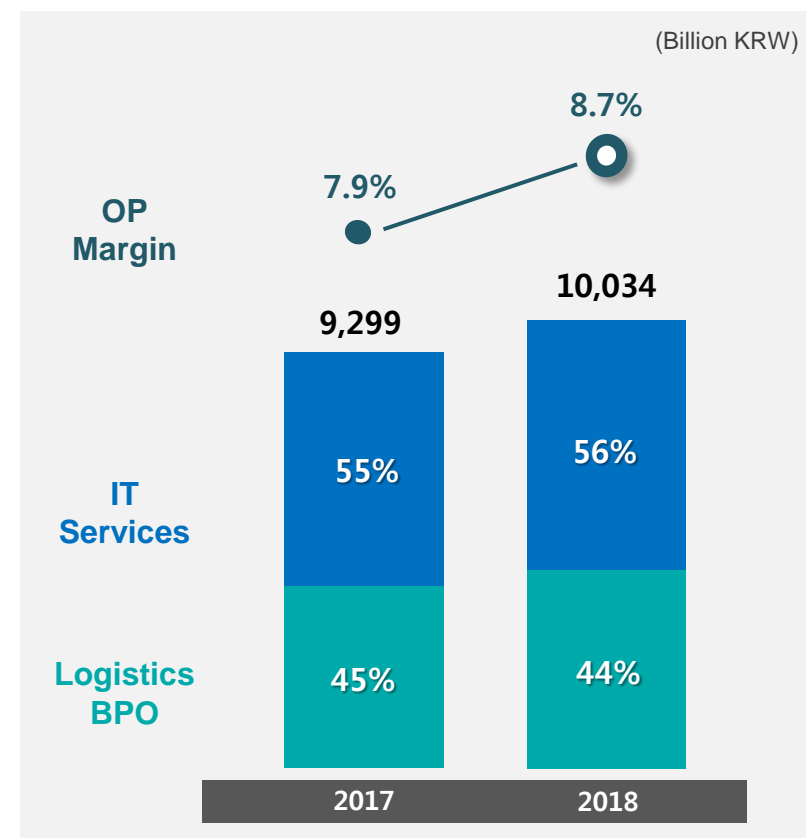
- The behavior of financial markets including fluctuations in exchange rates, interest rates
- Strategic actions including dispositions and acquisitions
- Unanticipated dramatic developments in our major businesses
- Numerous other matters at the national and international levels which could affect our future results

These uncertainties may cause our actual results to be materially different from those expressed in this document.

1 2018 Earnings Overview

- ▶ Revenue of 10,034 billion KRW (+7.9% YoY)
- ▶ Operating profit of 877 billion KRW (+19.9% YoY)
- ▶ Net profit of 639 billion KRW (+17.9% YoY)

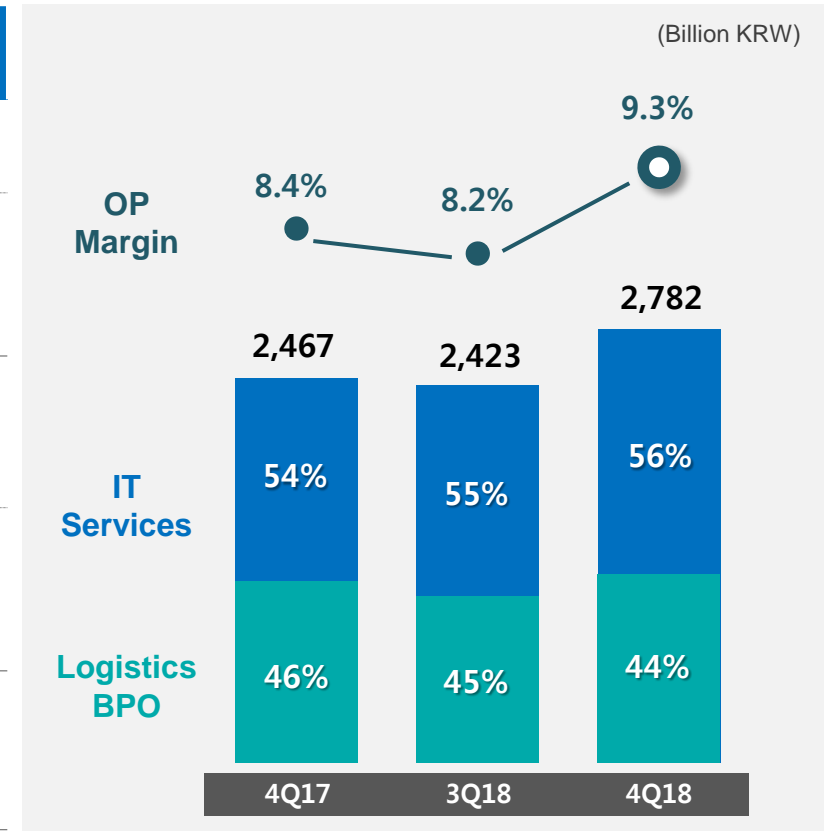
(Billion KRW)	2017	2018	YoY
Revenue	9,299	10,034	+7.9%
IT Services	5,130	5,657	+10.3%
Logistics BPO	4,169	4,377	+5.0%
Operating profit	732	877	+19.9%
(%)	7.9%	8.7%	+0.8%p
IT Services	659	853	+29.5%
Logistics BPO	73	24	-66.9%
Net profit	542	639	+17.9%
(%)	5.8%	6.4%	+0.6%p



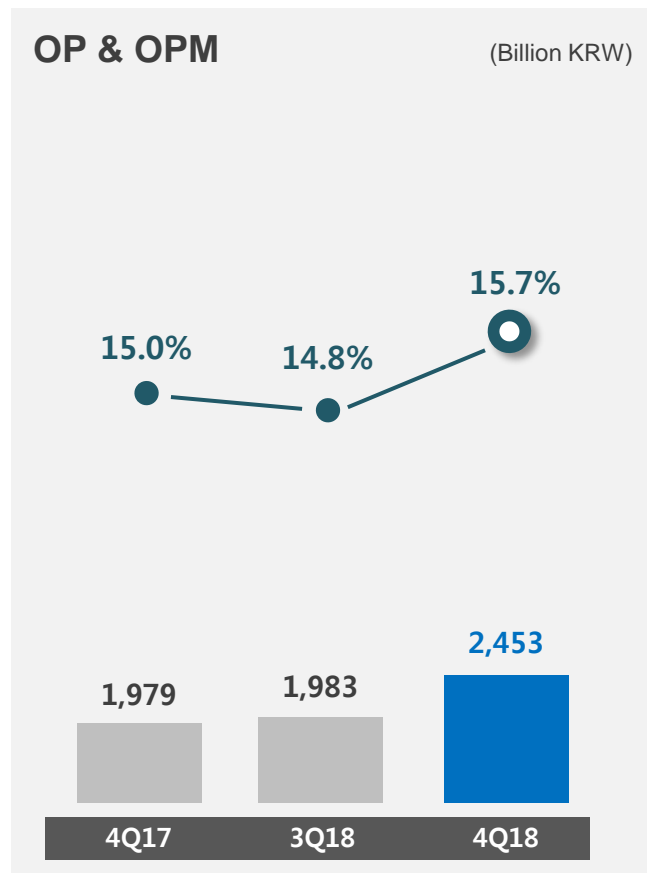
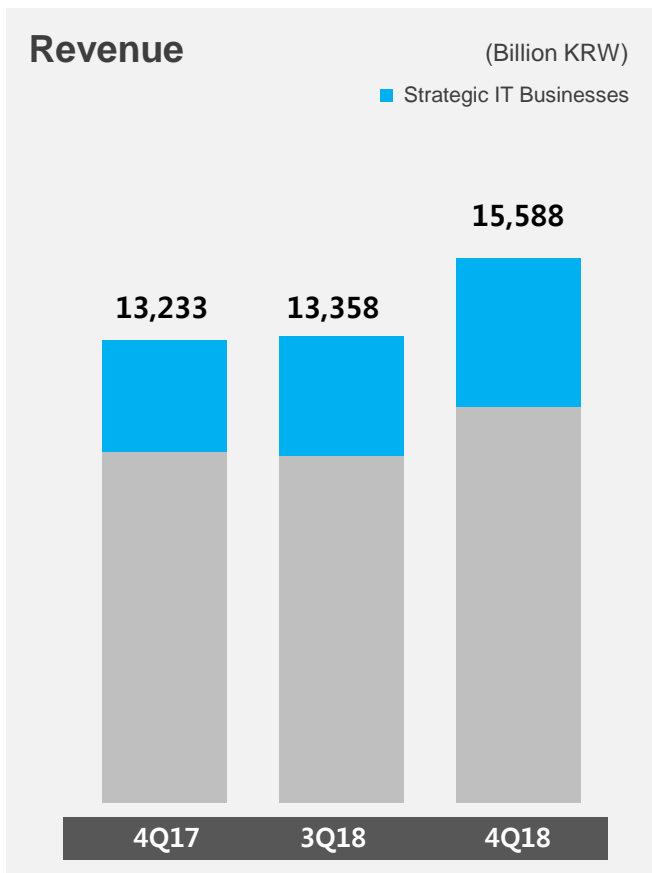
2 4Q Earnings Overview

- ▶ Revenue of 2,782 billion KRW (+12.8% YoY)
- ▶ Operating profit of 258 billion KRW (+25.1% YoY)
- ▶ Net profit of 177 billion KRW (+ 11.9% YoY)

(Billion KRW)	4Q18	3Q18	QoQ	4Q17	YoY
Revenue	2,782	2,423	+14.8%	2,467	+12.8%
IT Services	1,559	1,336	+16.7%	1,323	+17.8%
Logistics BPO	1,223	1,087	+12.5%	1,143	+7.0%
Operating profit	258	199	+29.4%	207	+25.1%
(%)	9.3%	8.2%	+1.1%p	8.4%	+0.9%p
IT Services	245	198	+23.7%	198	+23.9%
Logistics BPO	13	1	+900%	9	+52.1%
Net profit	177	143	+24.2%	159	+11.9%
(%)	6.4%	5.9%	0.5%p	6.4%	-



- ▶ **4Q Revenue of 1,559 billion KRW (+16.7% QoQ)**
 - Revenue growth driven by strategic IT businesses
- ▶ **4Q Operating profit of 245 billion KRW (+23.7% QoQ), OPM of 15.7%**



4Q18 Results

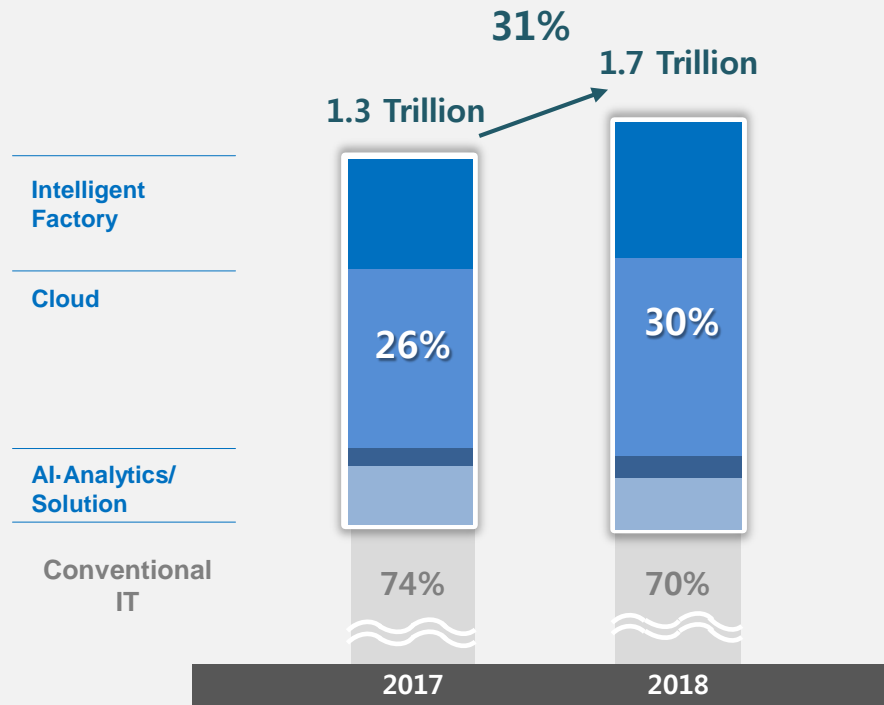
- Strategic IT businesses, together with Next ERP improved revenue
- Strategic IT businesses revenue increased by +27% QoQ

2018 Results

- Strategic IT businesses revenue such as cloud and intelligent factory, increased by +31% YoY

▶ Strategic IT businesses revenue increased by 31%, comprising 30% of IT services revenue

Strategic IT Businesses Revenue %



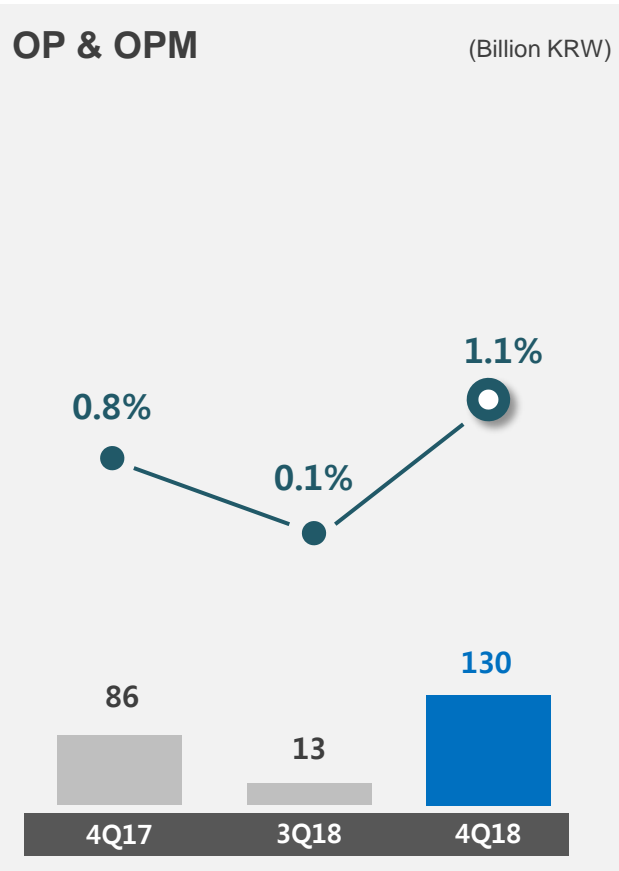
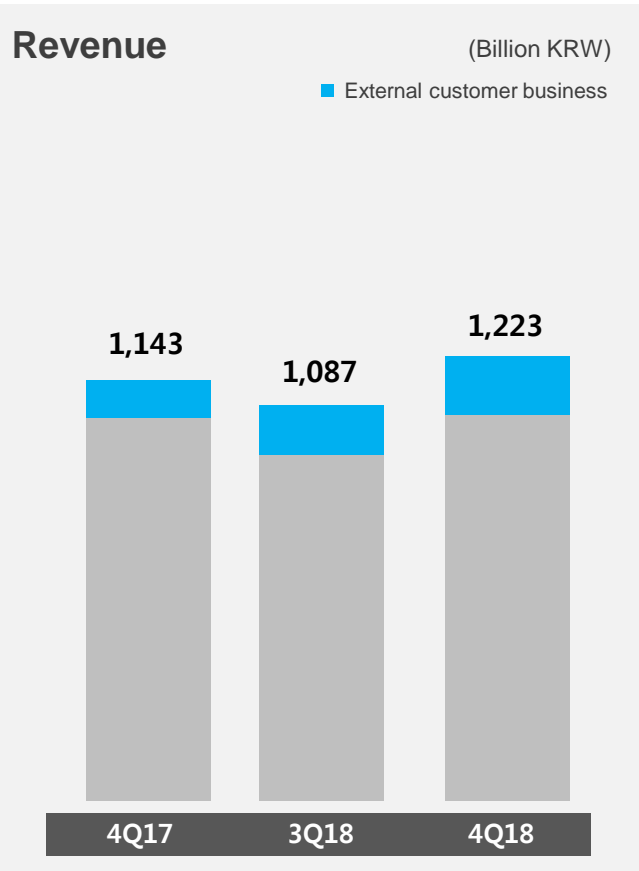
2018 Key Performance

- ✓ **Intelligent Factory** (+46% YoY)
 - Implementation of AI and IoT to electronics manufacturing
 - Expansion to new industries such as cosmetics, beverage
- ✓ **Cloud** (+31% YoY)
 - Major customers' accelerating migration into cloud
 - Public cloud demand increased
- ✓ **AI- Analytics** (+45% YoY)
 - Adoption of Brightics, SDS AI platform, in manufacturing, finance, logistics and marketing
- ✓ **Solution** (+5% YoY)
 - Continued growth in mobile security and blockchain

▶ 4Q Revenue of 1,223 billion KRW (QoQ +12.5%)

- Revenue growth with increase in IT products trading volume

▶ 4Q Operating profit of 13 billion KRW (+900% QoQ), OPM of 1.1%



4Q18 Results

- Revenue growth with higher trading volume in year-end peak season
- Operating profit increased due to flight volume and cost reduction

2018 Results

- External customer business revenue increased +60% YoY
- Revenue share of external customer has increased from 8% to 13%

[Appendix 1] Income Statement

(Billion KRW)	2017					2018				
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
Revenue	2,150	2,374	2,309	2,467	9,299	2,357	2,472	2,423	2,782	10,034
COGS	1,810	1,990	1,929	2,076	7,804	1,972	2,032	2,032	2,333	8,370
Gross profit	340	384	380	391	1,495	385	440	390	449	1,664
Margin (%)	15.8%	16.2%	16.4%	15.9%	16.1%	16.3%	17.8%	16.1%	16.1%	16.6%
SG&A	193	198	187	184	763	203	202	191	190	787
Operating profit	147	186	192	207	732	182	238	199	258	877
Margin (%)	6.8%	7.8%	8.3%	8.4%	7.9%	7.7%	9.6%	8.2%	9.3%	8.7%
Non-operating gain & loss	-3	15	14	-6	20	10	33	22	14	79
Profit before income tax	144	201	207	200	752	192	271	221	272	957
Income tax expense	53	58	58	42	210	61	84	78	95	318
Net profit	91	143	149	159	542	132	187	143	177	639
Margin (%)	4.2%	6.0%	6.5%	6.4%	5.8%	5.6%	7.6%	5.9%	6.4%	6.4%

[Appendix 2] Revenue & Operating Profit by Business Segment

SAMSUNG SDS

(Billion KRW)	2017					2018				
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
Revenue	2,150	2,374	2,309	2,467	9,299	2,357	2,472	2,423	2,782	10,034
IT Services	1,222	1,309	1,275	1,323	5,130	1,346	1,416	1,336	1,559	5,657
- Business Solution	295	335	287	327	1,244	318	383	332	449	1,482
- Cloud & ITO	927	974	988	996	3,886	1,028	1,033	1,004	1,110	4,175
Logistics BPO	928	1,065	1,033	1,143	4,169	1,011	1,056	1,087	1,223	4,377
Operating profit	147	186	192	207	732	182	238	199	258	877
IT Services	120	160	181	198	659	183	227	198	245	853
Logistics BPO	27	26	11	9	73	-1	11	1	13	24
Operating profit margin	6.8%	7.8%	8.3%	8.4%	7.9%	7.7%	9.6%	8.2%	9.3%	8.7%
IT Services	9.8%	12.2%	14.2%	15.0%	12.8%	13.6%	16.0%	14.8%	15.7%	15.1%
Logistics BPO	2.9%	2.4%	1.1%	0.8%	1.7%	-0.1%	1.0%	0.1%	1.1%	0.5%

[Appendix 3] Statement of Financial Position

SAMSUNG SDS

(Billion KRW)	2014	2015	2016	2017	2018
Asset	5,546	6,332	6,842	7,278	8,014
Current assets	3,228	3,845	4,548	5,118	5,882
Non-current assets	2,318	2,487	2,294	2,160	2,132
Liabilities	1,332	1,555	1,551	1,558	1,865
Current liabilities	1,118	1,390	1,347	1,325	1,575
Non-current liabilities	214	165	204	233	290
Equity	4,214	4,777	5,291	5,720	6,149
Common Stock	39	39	39	39	39
Cash & cash equivalents*	1,651	1,951	2,456	2,925	3,672
Debts & borrowings	20	11	7	1	1
Depreciation & amortization	397	390	365	333	308
CAPEX	458	504	224	203	245

* Including short-term financial instruments

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